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RR RUEHWEB

DE RUEHSJ #0256/01 0901300  
ZNR UUUUU ZZH  
R 311300Z MAR 09  
FM AMEMBASSY SAN JOSE  
TO RUEHC/SECSTATE WASHDC 0696  
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE  
RUEHBS/USEU BRUSSELS

UNCLAS SAN JOSE 000256

SENSITIVE  
SIPDIS

DEPT FOR WHA/CEN; WHA/PPC; WHA/EPSC; EEB/TPP; EUR and H  
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E.O. 12958: N/A

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SUBJECT: EU/CENTAM FTA MARKED AS A "COOPERATION" ACCORD, BUT  
DOUBTS PERSIST IN COSTA RICA

¶1. (SBU) SUMMARY. On March 2, the Costa Rican Ministries of Foreign Affairs (MFA) and Foreign Commerce (COMEX) hosted a seminar on the Agreement of Association between Central America and the European Union (Spanish acronym, AACUE). Cabinet ministers and other speakers touted the AACUE as a welcome departure from "other trade agreements" negotiated in the region (read: CAFTA-DR). Speakers emphasized the AACUE's focus on "cooperation" and "political dialogue" and lauded EU aid commitments embedded in the agreement. Privately, however, some GOCR contacts seem less impressed. The Costa Rican Ambassador to the EU opined that the AACUE's focus on "dialogue" and "feedback" is just "marketing." Other contacts question whether the EU will come through on the 34 million Euros in aid earmarked for Costa Rica, and worry about strings that may be attached. END SUMMARY.

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GOOD VIBRATIONS AND HIGH PRAISES  
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¶2. (U) COMEX Minister Marco Vinicio Ruiz opened the conference with a theme that would be repeated by each speaker: The AACUE is more than a trade agreement; its goal is the overall well-being of the Central American region. He noted that the AACUE's three pillars - commerce, cooperation, and political dialogue - set it apart from other trade agreements to which Costa Rica has recently been a party (a clear, if unstated, reference to CAFTA-DR).

¶3. (U) Minister of Planning Roberto Gallardo went further in contrasting the AACUE and CAFTA. Unlike "other trade agreements," Gallardo noted, "the AACUE expressly focuses on cooperation and dialogue." Gallardo stated that this approach makes sense given Costa Rica's and Europe's social and political affinities. He reminded the audience that, while the "superpowers were using the nations of Central America as pawns," the EU supported the Central American peace plan proposed by Costa Rican President Oscar Arias. Because of this, Gallardo said, "no one is protesting in the streets" over the AACUE. Gallardo welcomed the AACUE as a chance for "the EU to return to political influence in the region."

¶4. (U) In a similar vein, Roberto Echandi, Costa Rican Ambassador to the EU and lead AACUE negotiator, emphasized that the AACUE will allow broader sections of society to have a voice. In addition to traditional administration-level trade talks, the AACUE contemplates an "inter-parliamentary commission," formed under the auspices of PARLACEN, and a "civil society commission," drawn from the labor, business, and NGO sectors. These commissions will give feedback on the implementation process and conduct dialogue with counterpart groups on the EU side. Echandi also unveiled a website through which private citizens can comment on or suggest development projects. (<http://www.aacue.go.cr/>).

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PROCESS VS. MARKETING  
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¶5. (SBU) On the margins of the conference, Ambassador Echandi said these dialogue groups will have no real role in negotiating or implementing the AACUE. Rather, they are an opportunity for interested parties to gather, comment, and feel like they are "part of the process." Echandi candidly described these mechanisms as "marketing."

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THE MUCH ANTICIPATED EU COOPERATIVE BANDWAGON  
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¶6. (U) Ambassador Echandi also focused on the "cooperation" prong of the AACUE. He announced that the EU is pledging 34 million Euros to Costa Rica for development projects through 2013. Part of this money, Echandi said, will be provided "on demand," meaning Costa Rica will be able to use it "without regard to the priorities of the donor." Echandi listed several projects already in the pipeline, including programs to assist Costa Rican producers to reach EU quality control and sanitation standards; education projects; programs to encourage women-owned businesses; and community policing and other "bottom up" security plans.

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BUT THE COOPERATIVE BANDWAGON MAY HAVE AN EU DRIVER  
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¶7. (U) Speakers from the EU brought a measure of realism to the seminar. Estefano Sannino, Director for Central American Relations at the EU, emphasized the complexity of the AACUE negotiations. He said "the last issues will be the most difficult" but hoped to complete the next round of negotiations by the end of March. Christina Martins, lead negotiator for the EU, reminded the audience that the EU considers Costa Rica a "middle income" country which

will not receive the same level of aid as others in the region. She also cast doubt on Ambassador Echandi's statement regarding "on demand" funding. Martin mentioned that, while recipient countries will propose development projects, such projects will be reviewed by the EU and "jointly planned" by the EU and the recipient country.

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SKEPTICISM REGARDING THE COOPERATIVE BANDWAGON  
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¶8. (SBU) Several days after the conference, we asked a key senior-level contact at COMEX about the prospective cooperative assistance under the AACUE, specifically the 34 million Euro commitment. The contact doubted whether the EU would actually make that amount available and believed that, at a minimum, it would be tied to various controls, benchmarks, and reporting requirements. Our source went further, questioning the EU's motives for promising the assistance. In an interesting contrast to the "anti-CAFTA" tone of the seminar, the contact recognized that CAFTA-DR actually cleared the way for the AACUE to proceed.

¶9. (SBU) We heard similar comments from a contact at Chemonics, a USAID contractor working on trade capacity building (TCB) issues in Costa Rica. This contact also questioned the EU's promised level of assistance and the EU's motives. The contact maintained that EU assistance is more appropriate for less developed countries. The contact also reported an exchange with a Costa Rican colleague who asked, "Does the EU think that we are in diapers?"

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ONTO THE 7TH ROUND. . .WITH LITTLE DETAILS  
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¶10. (U) The seminar provided few details about the progress of substantive negotiations. Costa Rican Foreign Minister Bruno Stagno stated that Costa Rica hopes to complete negotiations by May 2009, to allow six months for legal review, and to present the texts for ratification at the beginning of the Spanish presidency of the EU in ¶2010. (This timing would also nicely cap President Oscar Arias' term in office, which ends May 1, 2010.) Minister Ruiz stated that the sixth round of negotiations has now been completed, and that a seventh round will soon begin in Tegucigalpa.

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COMMENT

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¶11. (SBU) The notably high-powered seminar appears to be part of a strategy to portray the AACUE as a "kinder, gentler" trade agreement, as distinguished from CAFTA. The seminar focused almost entirely on the "cooperation" and "dialogue" aspects of the deal and ignored the status of substantive trade issues. The GOCR no doubt wants to avoid a repeat of the protracted and contentious domestic political debate provoked by CAFTA (and to clear the way for the next potentially controversial FTA, with China). The risk will be if the ministers (and the public) believe the "marketing campaign" promoting the AACUE.

¶12. (SBU) The private, more candid comments by the GOCR and Chemonics interlocutors remind us that all is not rosy between Costa Rica and Europe. Tough trade issues remain, as would be expected in a comprehensive agreement like this, and a notable level of distrust exists on the Costa Rican side, specifically within the GOCR negotiation team. Despite these behind-the-scenes realities, the seminar successfully conveyed to the public and the media the perception of the AACUE as inclusive and collaborative. A lesson learned for the USG (which we are applying here) is to "market" CAFTA-DR in a more comprehensive manner, emphasizing the collaborative nature of the Agreement, its shared benefits to all member countries, and the "inclusive" aspects of our CAFTA trade capacity building assistance for Costa Rica and the region.

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